

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 EB-11 INT-08 SCEM-02 SCI-06 AID-20

CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00

XMB-07 OPIC-12 SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01

STR-08 CEA-02 DODE-00 PM-07 H-03 L-03 NSC-10 PA-04

PRS-01 SS-20 USIA-15 ACDA-19 IO-14 DRC-01 AF-10 EA-11

EUR-25 NEA-10 /276 W
----- 123887

R 141435Z NOV 73

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 1775

C O N F I D E N T I A L CARACAS 9685

E.O. 11652: GDS

TAGS: ENRG, VE

SUBJECT: PETROLEUM: ROYALTY FORMULA ADJUSTED UPWARD

REF: A. CARACAS 9341; B. STATE 212734; C. CARACAS 9310

1. AT LEAST FOR NOW, ROYALTY OIL PROBLEM APPEARS TO HAVE BEEN
RESOLVED IN WAY THAT WILL AVOID INTERRUPTION OF FLOW OF 600,000
B/D OF ROYALTY OIL, LARGE PORTION OF WHICH GOES TO U.S.
OIL COMPANIES OPERATING HERE SIGNED AGREEMENTS WITH VENEZUELAN
GOVERNMENT NOVEMBER 13, ADJUSTING FORMULA FOR ROYALTY PAYMENTS.
NEW FORMULA, BASED ON TAX REFERENCE VALUES PLUS FREIGHT
PREMIUMS PLUS SMALL ADJUSTMENT FACTOR RELATED TO TEXAS CRUDE
OIL PRICES, WILL INCREASE ROYALTY PAYMENTS BY OVER \$3/BARREL,
THEREBY GREATLY DIMINISHING FINANCIAL INCENTIVE THAT VENEZUELAN
GOVERNMENT WOULD OTHERWISE HAVE TO REQUIRE OIL COMPANIES TO
MAKE ROYALTY PAYMENTS IN KIND RATHER THAN IN CASH. OIL
COMPANIES EXPECT SETTLEMENT TO BE ANNOUNCED VERY SOON,
PROBABLY TODAY.

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2. EMBASSY BELIEVES THAT FONMIN CALVANI, WITH WHOM AMBASSADOR

DISCUSSED THIS PROBLEM, AND TECHNICIANS IN HYDROCARBONS
MINISTRY WHO PREFER AVOID DISRUPTION OF NORMAL OIL SUPPLY
CHANNELS, WERE INSTRUMENTAL IN APPARENT FAVORABLE RESOLUTION
ROYALTY OIL PROBLEM. ROYALTY PAYMENT AGREEMENTS SIGNED WITH
OIL COMPANIES DO NOT, OF COURSE, ELIMINATE OR DIMINISH IN
ANY WAY RIGHT WHICH VENEZUELAN GOVERNMENT HAS TO REQUIRE
COMPANIES AT SOME FUTURE TIME TO BEGIN PAYING ROYALTIES IN
KIND, BUT WE DO NOT NOW EXPECT GOVERNMENT TO EXERCISE THAT
OPTION DURING CURRENT ENERGY CRISIS.
FISHER

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Message Attributes

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EO Systematic Review
30 JUN 2005

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